

SECTION 700

NUTRITION PROGRAMS AUDIT REPORTING REQUIREMENTS

I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP):

The earliest Federal meal assistance program for pre-school children in day care was the Special Food Service Program for Children (SPSPFC) year-round component, established by Public Law 90-302 in 1968. Authorized initially as a three-year pilot program, it provided reimbursement specifically limited to meals served in day care centers, settlement houses, and recreation centers that provided child care services in areas with high concentrations of working mothers and where poor economic conditions existed. Congress reaffirmed support for this limited assistance in 1972, when Public Law 92-433 Extended SFSPFC authorization through Fiscal Year 1995.

In November 1975, Public Law 94-105 added a new Section 17 to the *National School Lunch Act*, establishing and authorizing, for three years, the separate Child Care Food Program (CCFP), and mandating a number of significant changes, as follows:

- ❑ for the first time, child care facilities were required to meet certain licensing or approval standards to participate;
- ❑ eligibility was extended to any public or private nonprofit organization providing nonresidential child care services, regardless of location - specifically including Head Start programs, family and group day care homes, and sponsoring organizations, and sponsoring organizations; and
- ❑ application procedures and reimbursement formulas for both centers and homes were patterned after the National School Program's free and reduced price eligibility requirements, based on the household size and income of each enrolled child.

Public Law 100-435 in 1978 provided for an additional reimbursable meal or snack for children in attendance at child care centers for eight or more hours per day.

In 1981 Public Law 97-35 reduced the eligibility age from 18 to 12 years, except for migrant workers' children who can participate through age 15, and disabled persons attending eligible facilities. It also set a limit on the maximum number of reimbursable meals at two meals and one supplement (snack) per child per day, which was later clarified by policy issuance, to alternately allow a maximum of one meal and two snacks per day. A 1982 provision of Public Law 97-370 specified that reimbursement claims must be submitted to the administering agency within 60 days following the claiming month to be eligible for payment.

I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP):

The CACFP is authorized in Section 17 of the *National School Lunch Act* (42 U.S.C. 1766), as amended. Program regulations are issued by the USDA and codified at 7CFR part 226.

Public Law 101-147 in November 1989 authorized administering agencies to take center and sponsor renewal applications and agreements on an every-other-year basis, and changed the name of the CCFP to the Child and Adult Care Food Program (CACFP). In 1994, Public Law 103-448 further amended the renewal application process to allow centers and sponsors, at the discretion of the State agency (Nutrition Services Division), to reapply at 3 year intervals. This law contains several other provisions, including categorical eligibility for certain Head Start and Even Start program enrollees.

The United States Department of Agriculture (USDA) issued Interim Regulations to incorporate the provisions of Public Law 104-193, *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996* that was signed into law on August 22, 1996. The regulations established a two-tiered reimbursement rate structure for day care homes under this structure, the level of reimbursement for meals served to children enrolled in day care homes has a tiered rate of reimbursement determined by economic need based on:

- ❑ the location of the home
- ❑ the income of the day care provider
- ❑ the individual income of children's household

Congress enacted Public Law 95-627 in 1998 due to the increasing awareness that certain licensing, paperwork, and record-keeping requirements were restricting or discouraging CACFP participation by day care homes; that major differences existed between the needs and operating methods of day care homes and child care centers; and that the responsibilities of administering agencies and sponsoring organizations needed to be more precisely defined. These concerns were addressed, and several new provisions including the availability of advance payments on request to participating centers and sponsoring organizations; a broader definition of "children" to include outside-school-hours care centers were added to Section 17. Also, the CACFP was permanently authorized by this law.

All sponsored centers or day care home providers must be approved for participation by the Nutrition Services Division (NSD). Agencies can have more than one type of agreement with the NSD.

II. SCHOOL NUTRITION PROGRAM (SNP):

The objectives of the child nutrition program cluster programs are to: (1) assist CDE's Nutrition Services Division(NSD) in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

At the Federal level, these programs are administered by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA). FNS generally administers these programs through grants to CDE's NSD. NSD, in turn, enters into agreements with with School Food Authorities(SFA's) and other subrecipient organizations for local level program operation and the delivery of program benefits and services to eligible children.

The School Nutrition Program (SNP) cluster consists of the following four programs:

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|--|-------------|
| 1. School Breakfast Program (SBP) | CFDA 10.553 |
| 2. National School Lunch (NSLP) | CFDA 10.555 |
| 3. Special Milk Program for Children(SMP) | CFDA 10.556 |
| 4. Summer Food Service Program for Children(SFSPC) | CFDA 10.559 |

The programs included in this cluster are authorized by the *National School Lunch Act*(NSLA) (42 USC 1751 et. seq.) and the *Child Nutrition Act*(CAN)(42 USC 1771 et. seq.). The implementing guidance for each program is included in parts of 7CFR as indicated: National School Lunch Program(NSLP), part 210; School Breakfast Program (SBP), part 220; Special Milk Program for Children (SMP), part 215; and, Summer Food Service Program for Children (SFSPC), part 225.

Refer to **APPENDIX D** for the audit compliance requirements for each program.

III. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (SFSPC):

Public Law 90-302, enacted May 8, 1968, established the Special Feed Service Program of the forerunners of both the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program for Children (SFSPC). The SFSPC was created in response to the growing national awareness of children's need for nutrition and the increasing number of working mothers. The SFSPC and CACFP, which were developed from the SFSPC, are part of Nutrition Services Division's system of nutrition programs for children, which includes the Supplemental Food Program, the National School Lunch Program, the School Breakfast Program, and the Special Milk Program.

Congress developed the summer feeding component of the SFSPC (Program) in order to provide Federal grants for meals served to needy children during the summer months when school was not in session. The Program was geared to school-age children, in areas where there was a high concentration of working mothers and where poor economic conditions existed. The institutions eligible to participate included city government organizations, community action agencies, churches, day camps, and institutions providing day care programs for the handicapped.

Public Law 94-105, enacted in November 1975, mandated a number of significant Program changes. Program eligibility was extended to include residential summer camps. Institutions and residential summer camps had to conduct a regularly scheduled program for children at site locations where organized recreational activities or food service were provided. These institutions and camps had to provide a service in areas where at least one-third of the children qualified for free or reduced price school meals. They also had to acquire their meals whenever feasible from existing school food service facilities. However, they no longer had to serve areas with a high concentration of working mothers in order to qualify for the Program. For sponsoring organizations, start-up payments were provided to defray the cost of Program planning and organizing, and advance payments were provided to improve cash flow.

On August 13, 1981, Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, was enacted. This legislation limited the types of organizations eligible to sponsor the SFSPC (only public entities and camps); changed eligibility criteria based on income, changed eligibility criteria for areas of economic need (50 percent of the children in the area must qualify for free or reduced price meals); limited the ability of NSD to administer the Program previously administered by State agencies; affected claims settlement; eliminated dual participation in the SFSPC and the Special Milk Program; and changed the free meal policy procedures at enrolled sites.

III. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (SFSPC):

Public Law 97-370, enacted December 18, 1982, established that only final reimbursement claims for service of meals and supplements submitted to State agencies by eligible summer camps and service institutions within sixty days following the claiming month are eligible for reimbursement.

Public Law 99-500 and 99-591 made several changes in the SFSPC. These changes include (1) authority for sponsors which are school food authorities to use facilities, equipment and personnel in support of a nonprofit nutrition program for the elderly, and (2) automatic (or "categorical") free meal eligibility to children from households receiving food stamps or Aid to Families with Dependent Children.

Public Law 100-435, Hunger Prevention Act of 1988, was enacted on September 19, 1988. This legislation expanded the definition of eligible SFSPC sponsors to include public and private colleges and universities which are participating in the National Youth Sports Program (NYSP). Prior to the enactment of this provision, only public colleges and universities in the NYSP were eligible to participate because they qualified as a unit of the State or local government.

Public Law 101-147, the Child Nutrition and WIC Authorization Act of 1989, was enacted November 10, 1989. It included several significant provisions affecting the SFSPC. The most significant of these provisions was that making private nonprofit organizations (other than those currently eligible under the law) eligible to participate in the Program under a number of specific conditions.

Public law 103-444, the Healthy Meals for Healthy Americans Act of 1994, amends a number of provisions in Section 13 of the National School Lunch Act (NSLA). These amendments affect the participation of private nonprofit organizations (PNO) sponsors in the SFSPC, reduce reporting requirements for State agencies, allow the SFSPC to be operated at non-school sites during the months of October through April when school is closed to unusual circumstances, and provide start-up and expansion grants for SFSPC sponsors.

Refer to **APPENDIX D** for the audit compliance requirements.

IV. FOOD DISTRIBUTION:

Under 7CFR Part 250 (Food Distribution), USDA makes donated agricultural commodities available for use in the operation of all child nutrition programs except the SMP. FNS enters into agreements with CDE's Food Distribution unit of the NSD for the distribution of USDA donated food commodities. The Food Distribution unit, in turn, enters into agreements with local program operators which are defined collectively as "recipient agencies". The Food Distribution unit may engage a commercial food processor to use the commodities in the manufacture of food products, and then deliver such manufactured products to recipient agencies.

NSD earn commodity assistance based on the number of program meals served in schools participating in the NSLP and for certain sponsors participating in the SFSPC. NSD's level of commodity assistance is the product of the number of meals served in the preceding year multiplied by the national average payment for donated foods.

Refer to **APPENDIX D** for the audit compliance requirements.

I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

Reimbursement may be available for a portion of the costs associated with a sponsor=s CACFP audit from the California Department of Education (CDE). The amount of audit cost reimbursement an institution can receive is dependent on the amount of funds available to the CDE.

Reimbursement will be allowable only if the audit submitted tested CACFP funds in accordance with the OMB=s Compliance Supplement for Audits of States, Local Governments, and Non-Profit Organizations, Section 10.558; and presents the appropriate schedules.

Audit cost reimbursement for institutions submitting a Single Audit(formerly known as Organization Wide Audit (OWA)) to the CDE will be paid when the following conditions are met:

1. The appropriate Annual Audit Status Certification (AASC) form is on file with the Audits and Investigations Division(AID).
2. The Single Audit includes the required schedules and has been accepted by the AID.
3. The CPA=s itemized invoice listing the cost by each fund audited has been submitted to the AID.
4. All outstanding child nutrition accounts receivable has been paid.

Audit cost reimbursement for institutions submitting a Program Specific Audit (PSA) to the CDE will be paid when the following conditions are met:

1. The appropriate Annual Audit Status Certification (AASC) form is on file with the AID.
2. The PSA has been accepted by the AID.
3. The CPA=s itemized invoice has been submitted to the AID.
4. All outstanding child nutrition accounts receivable have been paid.

The maximum amount of reimbursement shall be calculated as follows:

<u>CACFP Portion of FFA</u>	X	Federal Audit Cost
Total Federal Financial Assistance(FFA)		

REIMBURSEMENT FOR AUDIT COSTS

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II. SCHOOL NUTRITION PROGRAM (SNP):

No provision is available for audit cost reimbursement.

III. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (SFSPC):

No provision is available for audit cost reimbursement.

IV. FOOD DISTRIBUTION:

No provision is available for audit cost reimbursement.

I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

The CACFP encompasses eight types of sponsors who administers nutrition funds, as follows:

<u>Type of Sponsor:</u>	<u>Agreement Number Ending Prefix:</u>
1. Centers	A
2. Outside School Hour Care Center	C
3. Day Care Homes	F
4. Homeless / Emergency Shelter	H
5. Head Start	J
6. At-Risk Outside-School-Hour	K
7. Sponsor of Independent Centers (SOIC)	M
8. Adult Day Care Center	N

Although each type of sponsor operates under the CACFP guidelines, each has unique meal reimbursement claiming methods and reporting requirements.

A. CHILD DAY CARE CENTER SPONSOR:

An organization that owns and operates its own center(s) and is identified by an agreement number ending in "A" or "C." The "C" denotes outside school hour care centers and the "A" can be for child care centers and Outside School Hours combined.

As of July 1, 1999, new agreement designations are identified: "H" - organizations operating homeless or emergency shelters and "K" – at-risk outside-school-hour snack program.

As of October 1, 1999 "J" will be used for all head start funded sites.

Child Day Care Center sponsors have the option of claiming reimbursement by either the total count - fixed percentage claiming method, or the actual count claiming method. Policy Memorandum No. 89-222 (September 1989), "Policy Changes in the Reimbursement Claiming Methods", includes the following:

Claim Preparation

Monthly CACFP claims were prepared in accordance with the Total Count - Fixed Percentage claiming method.

The "Total Count - Fixed Percentage" claiming method requires each Agency to accurately categorize enrollment data into free, reduced price, and base rate categories at least one time at the beginning of the

fiscal year. The percentage for each category becomes the percentage used to determine reimbursement for the fiscal year. These percentages may be adjusted by the Agency to accurately

categorize enrollment if material changes in the enrollment if material changes in the enrollment percentages occur during the fiscal year.

1. Total Count - Fixed Percentage Claiming Method:

The "Total Count - Fixed Percentage" claiming method requires the sponsor to accurately categorize enrollment data into free, reduced price, and base rate at least one time at the beginning of the fiscal year.

- **Fixed Percentage Claiming Method:**

The Fixed Percentage Claiming Method requires the sponsor to report the enrollment data by eligibility category (i.e. free, reduced-price and base) one time each year. The percentages established will become the sponsor's "fixed" percentage for the fiscal year. Meals claimed will be reimbursed based on the calculated fixed percentages for each category. The fixed percentages will remain in effect for the entire fiscal year unless the sponsor chooses to submit new enrollment data in order to adjust the percentages and maximize reimbursement. However, a sponsor must submit new enrollment data during the year if (1) the sponsor adds a new site, (2) the average daily participation for the claim month exceeds the total enrollment previously reported, or (3) to correct a reporting error.

The percentage for each category becomes the sponsor's "fixed" percentage used to determine reimbursement for the fiscal year. Meals claimed are reimbursed based on the calculated "fixed" percentages for each category. The percentages may be adjusted by the sponsor to either accurately categorize or submit new enrollment data into free, reduced price, and base rate in order to maximize reimbursement should new facilities be added or others deleted.

2. Actual Count Claiming Method

The "Actual Count" claiming method requires the sponsor to accurately report on a monthly basis the "actual" eligibility categories of enrolled, participating children and the "actual count" of the number of meals served to the participants in each eligibility category. Percentages are not used.

3. Cash-in-Lieu of Commodities (CIL):

Cash-in-lieu of commodities is earned on all eligible lunch and supper meals claimed for reimbursement. Sponsors must disburse 100% of the CIL

I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

A. CHILD DAY CARE CENTER SPONSOR:

CHILD CARE CENTERS, OUTSIDE(AFTER)-SCHOOL-HOURS CENTERS AND ADULT CARE CENTERS

Child Care, Outside-School-Hours and Adult Care Center sponsors have the option of claiming reimbursement for meals served in the CACFP using the fixed percentage method or the actual count method. Policy Memorandum Number 89-222 (September 1989), A Policy Changes in Reimbursement Claiming Methods, includes the following:

Fixed Percentage Claiming Method:

The Fixed Percentage claiming method requires the sponsor to report the enrollment data by eligibility category (i.e. free, reduced-price and base) one time each year. The percentages established will become the sponsor's fixed percentage for the fiscal year. Meals claimed will be reimbursed based on the calculated fixed percentages for each category. The fixed percentages will remain in effect for the entire fiscal year unless the sponsor chooses to submit new enrollment data in order to adjust the percentages upward and maximize reimbursement.

Actual Count Claiming Method

The Actual Count Claiming Method requires the sponsor to report on a monthly basis the actual eligibility categories of enrolled, participating children and the actual count of the number of meals served to the participants in each eligibility category. Percentages are not used.

SCHEDULES OF REQUIRED REPORTS

Refer to **SECTION 270, Matrix**

Requirements for Meal Schedules:

Meal schedules are **required** in the audit report only under the following conditions:

1. Program-Specific Audit;
2. There are audit findings related to meals;
3. The audit report indicates significant overpayments (in excess of \$100) and/or underpayments of \$1 or more; and
4. NSD administrative review/field audit disclosed program findings, significant over and underpayments.

I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

B. SPONSOR OF INDEPENDENT CENTERS (SOIC)

Overview:

A sponsor of independent centers (SOIC) is an organization that provides administrative services to centers that do not legally belong to the organization. The sponsor agreement end with the letter "M." Each site must meet the same participation criteria as the sponsoring organization, i.e., either be a public or a documented private nonprofit organization. In addition to the reimbursement claiming options discussed above, Sponsors of Independent Child Care, Outside-School-Hours and Adult Care Centers, are required to enter into a written agreement with each center which specifies the rights and responsibilities of the SOIC and the centers as provided by the NSD. Also, each site has signed an agreement with the sponsor to retain an agreed upon percentage of the site's reimbursement. Prior to October 1, 1998 the maximum amount that can be retained is 30% excluding cash-in-lieu. Effective with the 1998-99 program year, up to 15% of each site's reimbursement (excluding cash-in-lieu) may be retained for administrative purposes.

SOIC must submit an annual administrative budget¹ to the NSD for approval. SOIC may retain a portion of each child care center, outside-hours-centers or adult care center=s total eligible food service reimbursement (state and federal² funds) to offset costs incurred in planning, organizing and managing the CACFP. However, the NSD limits the amount of state and federal funds an agency may retain for its program administrative services. An agency=s retention of program reimbursement for administrative purposes may not exceed the lesser of (1) thirty percent (30%) of total allowed food service reimbursement from each center; (2) actual eligible costs for administering the program less income to the program; or (3) the administrative expenses approved by the NSD in the agency=s administrative budget.

Retention of Funds

Reimbursement retained from a center in excess of the aforementioned limitations and /or disallowed administrative costs shall be returned to the center(s).

REIMBURSEMENT CLAIMING METHODS

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

¹ Annual Administrative Budget are approved on the federal fiscal year (Oct.-Sept). Auditors auditing fiscal years other than the federal year must use two Administrative Budgets.

² Beginning with Federal Fiscal Year 1995-1996 and subsequent years, SOIC may not be retain any portion of the Cash-In-Lieu (CIL) of commodities funds for administrative costs.

B. SPONSOR OF INDEPENDENT CENTERS (SOIC)

Additional Funds

Reimbursement received for additional meals identified during an audit shall be disbursed to the applicable center(s) only.

Disallowed Meals

Reimbursement received for meals disallowed during an audit shall be returned to the NSD. The amount of meal reimbursement retained by the SOIC for administrative costs plus the amount disbursed to the centers must be identified in the auditors' report as funds owed to the CDE.

Cash-in-Lieu of Commodities (CIL):

Cash-in-lieu of commodities is earned on all eligible lunch and supper meals claimed for reimbursement. Sponsors must disburse 100% of the CIL funds received from the NSD to each center.

Disbursement of Meal Reimbursement to SOICs:

Sponsors electing to claim reimbursement for meals under the AFixed Percentage Method³ shall disburse the funds received from the NSD based on the aggregate number of free, reduced-price and base enrollment. Sponsors electing to claim reimbursement for meals under the AActual Count Method³ shall disburse the funds received from the NSD based on the actual number of meals claimed by each center. Prior to Fiscal Year 1998-99 SOICs were allowed to choose between the Fixed Percentage Claiming Method or Actual Count Claiming Method. The Fixed Percentage Claiming Method required the SOIC to claim the consolidated number of enrolled free, reduced-price, and base from all their sponsored sites. All funds received for meal service, (including state meal), shall be disbursed to each site within **five working days** of receipt from the state agency. **“Fixed Percentage Claiming Method” not allowed as an option as of October 1, 1998.**

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

³ See appendix for an illustration of the **MEAL REIMBURSEMENT CALCULATION WORKSHEET** for sponsors using the Fixed Percentage Method.

B. SPONSOR OF INDEPENDENT CENTERS (SOIC)

Disbursement of Reimbursement Payments

SOIC shall disburse all reimbursement payments for food service due to each center within five working days of receipt from the State agency.

Disposition of Undisbursed Reimbursement

SOIC with undisbursed meal reimbursements, resulting from a center(s) who submits a claim for meals and then relocates, leaving no forwarding address, before they receive their payment shall:

- a) document the three(3) attempts made to contact the center=s authorized representative,
- b) document the number of allowable meals served at each center, and
- c) calculate the amount of reimbursement earned , by month and meal type for each center.

The total amount of undisbursed funds and the number of meals associated with the funds shall be included in the auditor=s report. Sponsor organizations may not retain and utilize these reimbursements for administrative purposes. Such funds must be returned by the sponsor to the state agency. Funds retained from the center(s) for allowable administrative expenditures may be retained by the sponsor.

The total amount of undisbursed funds and the number associated with the funds shall be included in the auditor=s report. Sponsoring organizations of day care homes may not retain and use undisbursed meal reimbursements for administrative purposes. Such funds must be returned to the state agency.

SOICs may use the money for administrative purposes providing a budget revision is submitted to the state agency. The funds must be indicated as income and the funds may be used for any line item of the budget except administrative labor and benefits.

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

B. SPONSOR OF INDEPENDENT CENTERS (SOIC)

Administrative Cost Reimbursement Limitations:

Sponsoring Organizations of Independent Centers (SOICs) are prohibited from charging their sponsored centers a fee for program administrative services. During any fiscal year, administrative costs payments to a SOIC may not exceed the lesser of (1) actual expenditures for the costs of administering CCFP less income to the program, or (2) the amount of administrative costs approved by the state agency in the SOIC's budget, or (3) retain no more than 15% of each site's eligible federal meal reimbursements (excluding cash-in-lieu) and no more than 30% of each site's state meal reimbursements for allowable administrative costs.

Underpayments Attributed to Computational Errors and/or Rounding Procedures

- a) If the auditor's report reveals that the sponsor used the incorrect rate to compute its centers' reimbursement, the auditor shall recalculate the reimbursement. Then if the finding is material (more than \$100.00), the sponsor should be instructed to pay any differences to the affected centers.

If the auditor cannot link the material underpayment or some portion thereof to a particular center, the sponsor shall pay equal shares of the owed money to all current centers. If a center was affected by the sponsor's miscalculations, have terminated its agreement with the sponsor and cannot be located, the sponsor shall follow the procedures discussed in the previous paragraph.

- b) SOIC shall annually reconcile payments actually disbursed to individual centers with funds paid by the State agency. The SOIC must correct any differences caused by rounding by adjusting the year-end checks issued to each center (or the final check issued, in the case of a terminating center).

If the sponsor cannot link the difference to a specific center(s), the difference should be prorated equally among all current centers. If a center was affected by the sponsor's rounding procedures, have terminated its agreement with the sponsor and cannot be located, the sponsor shall follow the procedures discussed in the previous paragraph.

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

B. SPONSOR OF INDEPENDENT CENTERS (SOIC)

Retention of Administrative Funds (SOICs):

Sponsors of Independent Centers (SOICs) that have administrative expenditures disallowed because of findings in an administrative review or audit must pay those disallowed funds to their centers. If there are centers no longer participating under their sponsorship, the sponsor must have documentation showing they have made three attempts to locate those centers. If they are unable to locate the centers to pay them the money owed, the sponsor may use the money for administrative purposes. It must be listed as income and a budget revision indicating how the funds will be used must be submitted for approval. They funds may be used for any line item **except** for administrative labor and benefits.

Program Income

Funds received by the sponsor for use in the food service program, including, but not limited to all monies, other than reimbursement received from the state agency and retained from the centers for administrative expenditures; income from any food sales to adults; and other income, including cash donations and grants from organizations or individuals, shall be used to offset actual allowable administrative expenditures .

State Meal Reimbursement:

Center sponsors earn this reimbursement based on all eligible free or reduced-price breakfasts and lunches served to eligible children. Only SOICs are allowed to retain up to 30% for administrative purposes. This agreed upon amount must be in the sponsor site agreement.

SCHEDULES OF REQUIRED REPORTS

Refer to **SECTION 270, Matrix**

Requirements for Meal Schedules:

Meal schedules are **required** in the audit report only under the following conditions:

1. Program-Specific Audit;
2. There are audit findings related to meals;
3. The audit report indicates significant overpayments (in excess of \$100) and/or underpayments of \$1 or more; and
4. NSD administrative review/field audit disclosed program findings, significant over and underpayments.

REIMBURSEMENT CLAIMING METHODS

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

C. DAY CARE HOMES

Sponsoring Organization of Day Care Homes:

An organization serving day care homes and is identified by an agreement number ending in "F." Sponsors enter into a signed agreement with day care homes which specifies the rights and responsibilities of the sponsor and home and allows the sponsor to retain an agreed upon percentage of earned state meal reimbursement (up to 30%). The sponsor must submit an administrative budget based on allowable costs annually to CDE for approval. Administrative budgets are calculated based upon specified federal rates (adjusted annually in July) multiplied by the number of participating homes, plus up to 30% of state meal reimbursement.

Claim Preparation

Day Care Home sponsors report each month to the Nutrition Services Division (NSD) the total number of meals actually served by meal type (breakfasts, lunches, suppers, and supplements) on the Claim For Reimbursement (Form CCFP-C-F).

The number of sites claimed by the sponsor may not exceed the number of "Active" sites approved by the Program Unit of NSD. To be considered an active site, the provider must have served at least one meal during the month and have at least one enrollment or eligibility form on file.

Approved Sites:

Sites may only be claimed when they have been approved by participation by NSD and included on NSD's Schedule A of Approved Sites.

Cash-in-Lieu of Commodities (CIL):

Cash-in-lieu of commodities is earned on all eligible lunch and supper meals claimed for reimbursement. Sponsors must disburse 100% of the CIL funds received from the NSD to each site.

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

C. DAY CARE HOMES

TIERING CLAIMING METHOD

Monthly CACFP claims are prepared in accordance with the Tiering claiming method.

Introduction of Tiering:

This guidance focuses on the responsibilities of family day care home (FDCH) sponsoring organizations for determining eligibility for Tier I and Tier II reimbursement under the two tier reimbursement system implemented as a result Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The reimbursement structure targets higher reimbursement to day care providers located in low-income areas and to providers and children from low-income households. The basis for the determination of eligibility is the Income Eligibility Guidelines (IEGs) used to determine eligibility for free and reduced price meals in school meal programs which are updated annually to adjust for inflation.

This guidance is divided into three parts: **Part I, Classification of Family Day Care Homes**, provides general information on Tier I day care home classification; **Part II, Determination of Individual Household Eligibility based on Income or Categorical Eligibility**, provides guidance for determining household income or categorical eligibility for either providers or for children enrolled in Tier II homes; and **Part III, Reimbursement for Tier II Homes with Children Eligible for Tier I Reimbursements**, gives an explanation, formula, and the following three types of meal counting and reporting options:

- Actual Meal Counts
- Claiming Percentages; and
- Blended Rates

REIMBURSEMENT CLAIMING METHODS

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

C. DAY CARE HOMES

TIERING CLAIMING METHOD

Overview:

A day care home sponsor must collect eligibility from each day care home provider under sponsorship. All providers are Tier II unless eligibility has been documented. A Tier I home is determined based on either the location of the home in an eligible area or by the provider's income. Sponsors must document the determinations and keep on file as long as the classification is in effect plus three fiscal years.

Tier I eligibility determinations:

- A day care home located in the enrollment zone of an elementary school in which at least 50% of the children enrolled are certified eligible to receive free or reduced price meals. This is documented in the provider's file showing the provider's address is within the attendance zone of the school and documentation that the school is eligible. This determination is good for three years. All eligible meals served to enrolled children in the provider's home are reimbursed at Tier I rates.
- A day care home that is located in a geographic area, as defined by USDA based on census data, in which at least 50% of the children residing in the area are from households which meet the income standards for free or reduced price meals. Documentation from census tract must verify this determination. This determination is good until the next census. All eligible meals served to enrolled children in this provider's home are reimbursed at Tier I rates.
- The provider's household income may be used to classify the home as Tier I. The household income must be verified using the Provider's Federal income tax documents, i.e. Form 1040; a copy of a pay stub; or a statement of day care home business income and expenses. This determination is good until new income eligibility guidelines are published July the following year.

Children enrolled in a Tier II home may be Tier I eligible:

A Tier II provider may ask the sponsoring organization to collect eligibility applications from the parents of her enrolled children. The sponsor determines the eligibility and gives the provider the number of eligible Tier I and Tier II children.

DETERMINATION OF TIERS

(refer to **Tier Chart**)

REIMBURSEMENT CLAIMING METHODS

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP) **C. DAY CARE HOMES**

PART I: CLASSIFICATION OF FAMILY DAY CARE HOMES FOR TIERING

TIER I DAY CARE HOME:

Day care homes participating in the CACFP are classified as tier I homes either by :

1. Area Eligibility

(CFR 7, Section 226.2)

Location of the home in an eligible area. Code of Federal Regulation, Title 7 (CFR 7) defines area eligibility, as follows:

- i). A day care home that is located in an area served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced price meals; or under certain circumstances in (ii) and (iii) below.
- ii). A day care home that is located in a geographical area, as defined by FCS based on census data, in which at least 50 percent of the children residing in the area are members of households which meet the income standards for free or reduced price meals.
- iii). A day care home that is operated by a provider whose household meets the income standards for free or reduced price meals, as determined by the sponsoring organization based on a completed free and reduced price application, and whose income is verified by the sponsoring organization of the home in accordance with CFR 7, Section 226.23(h)6).

2. Provider Eligibility

Classification based on the (1) provider's household income or (2) categorical eligibility.

(1) Provider's Household Income:

In order to classify a day care home as Tier I based on the provider's household income or categorical eligibility, the sponsoring organization must:

- i). Have on file a completed income eligibility statement for the provider which lists all household members and income or shows categorical eligibility;

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TIER I DAY CARE HOME:

2. Provider Eligibility

Classification based on the (1) provider's household income or (2) categorical eligibility.

(1) Provider's Household Income:

- ii). For an income eligibility statement, must check that the math is correct and total household income and family size are within the current income eligibility guidelines (IEGs); and
- iii). Verify, using outside sources, that the information submitted by the provider is accurate.

All three of the above steps must have been completed prior to reimbursing the provider for meals at the Tier I rates.

(2) Categorical Eligibility of Provider:

A provider may demonstrate that they meet the criteria for free or reduced price meals by virtue of their receipt of benefits from federal categorically eligible programs, such as:

- Food Stamp Program
- Food Distribution Program on Indian Reservations (FDPIR)
- National School Lunch Program and School Breakfast Program
- Child Care Development Fund/Child Care Development Block Grant(CCDBG)
- TANF and CalWORKS programs are temporarily **excluded** until further notice from USDA
- Certain other programs as listed on USDA's Statement, SA-9-2-GEN, APB:CACFP-97-15

If the day care home is receiving Tier I rates based on the provider's household income or categorical eligibility, eligibility must be re-determined **annually**.

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TIER I DAY CARE HOME:

Verification of Provider's Household Income or Categorical Eligibility:

A provider's household income must be verified using the most **current** information available. Sources of information for verification purposes include:

i). Written Evidence:

- IRS Form 1040 with the worksheet
- A statement based on actual income and expenses supported by receipts or other appropriate documents
- Employer's wage/salary confirmation letter
- Documentation from an employer, migrant worker agency, or religious or civil organization providing knowledge about a household income
- Pay stub properly dated
- Current Notice of Eligibility for Food Stamp, FDPIR, or CalWORKs benefits
- Federal program award letters

ii). Collateral Contacts:

- In person (properly documented)
- Phone calls (properly documented)

iii). Agency Records

These determinations are good until new income eligibility guidelines are published in July each year. Based on income eligibility, the provider's own is also eligible.

Documentation of Verification

Sponsors should maintain on file the documentation used to determine the classification of the home as Tier I for three(3) years after the end of the fiscal year to which they pertain, or longer if there is an ongoing investigation.

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TIER I DAY CARE HOME:

Provider's Own Children

Meals served to the provider's own children may only be reimbursed if the following three conditions exist:

- i). The provider's children must be enrolled and participating in the child care program during the time of the meal service;
- ii). Other enrolled nonresident children must be present and participating in the same meal service; and
- iii). The sponsoring organization must have an income eligibility statement on file for the provider's household showing that the provider's household is income eligible or categorically eligible.

In some circumstances, households may be determined eligible **without** submitting an Application. Contact FNS for more information on this option.

TIER II DAY CARE HOME:

A Tier II family day care home (FDCH) is defined as one that does **not** meet the criteria for classifying a FDCH as Tier I. Specifically, the FDCH would **not** be located in an area that meets the criteria for having 50 percent of children eligible for free or reduced price meals using appropriate area data **nor** would the provider's household submitted an income eligibility statement documenting income eligibility (at or below 185 percent of Federal income poverty guidelines) or categorical eligibility.

Tier II day care homes (those day care homes that do not qualify to receive the higher Tier I rates) may still receive Tier I rates for those children enrolled in their care who are individually determined to be eligible for Tier I reimbursement. The day care home provider has the option to decide whether or not they wish to take advantage of this option.

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TIER II DAY CARE HOME:

Mixed Tier II Homes

Tier II homes that receive some combination of Tier I and Tier II reimbursement rates for meals served to enrolled children are considered to be "mixed Tier II" homes. The provider receives Tier I rates for meals served to children who have been determined to be eligible for Tier I reimbursement if the children's family meets one of the following conditions:

1. Income eligible if the children's family has completed an income eligibility statement which shows that their household income is at or below 185 percent of the income guidelines for poverty;
2. Categorically eligible if the children's family participates in the food stamp, Food Distribution program on Indian Reservation, or certain programs on the list of Federal Categorically Eligible Programs (see **Section _____, List**); or
3. Children's family meets the "expanded" categorical eligibility criteria if they are participating in or subsidized under any "federally or State supported child care or other benefit program with an income eligibility limit that does not exceed" 185 percent of poverty. This does **not** apply to determination of eligibility of the provider for Tier I status, or of the provider's own children in Tier I day care homes, or to enrollees in other child or adult day care centers.

FNS provides a list of Federal and State-funded programs which are categorically eligible.

Lower Tier II Rates:

Meals served to all enrolled children in Tier II day care homes who have **not** been determined to be eligible for Tier I rates are reimbursed at the lower Tier II rates.(See **Tier Rates Schedule, Section _____**)

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TIER II DAY CARE HOME:

Mixed Tier II Homes

Exclusion of Provider's Own Children for Reimbursement

Since a day care home may qualify as a Tier I home on the basis of the provider's household eligibility for free and reduced price meals, by definition **no** meals are reimbursed for the provider's own children in Tier II day care homes.

Confidentiality of Information

Sponsoring organizations are prohibited from making Tier I eligibility information concerning individual households available to day care home providers. This information may only be made available to persons directly connected with the administration and monitoring of the Program.

As a result, sponsors may inform providers in Tier II day care homes only of the **numbers** of enrolled children determined by the sponsor as eligible for Tier I benefits. The providers may not be informed of the names of children eligible for either Tier I or Tier II reimbursement.

Prohibition of Overt Identification

The distribution and return of income eligibility statements must be handled in such a way as to eliminate the possibility of overt identification of which children are eligible for Tier I or Tier II rates.

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TIER II DAY CARE HOME:

PART II: DETERMINATION OF INDIVIDUAL HOUSEHOLD ELIGIBILITY BASED ON INCOME OR CATEGORICAL ELIGIBILITY

USDA's publication, *CACFP Eligibility Guidance for Family Day Care Homes*, provides guidance for determining household income or categorical eligibility for either providers in Tier I day care homes or for children enrolled in Mixed Tier II homes. Refer to pages 23 to 38 of this publication in **APPENDIX H** for specific details on:

- Requirements for income eligibility statements;
- Guidance on determining household size and income; and
- Guidance on determining categorical eligibility

PART III: REIMBURSEMENT PROCEDURES FOR TIER II HOMES WITH CHILDREN ELIGIBLE FOR TIER I

Reimbursement at One Rate Level:

All meals served either in Tier I homes or those Tier II homes where the provider has chosen **not** to have Income Eligibility Statements taken continue to be reimbursed at one rate. Providers are reimbursed based on the number of meals served to enrolled children multiplied by the appropriate annually adjusted reimbursement rates for each breakfast, lunch, supper, and/or snack they are approved to serve at Tier I or Tier II rates as appropriate.

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Approved Sites:

An approved site is one that is an **active tiering** site that serves at least **one** meal during the claim month. The number of sites claimed cannot exceed the number of tiering sites approved by the NSD. New sites must be approved prior to being claimed for reimbursement. The categories of tiering sites is as follows:

Tier I site:

A day care home(home) which is located in a low income area as specified by program regulations, **or** a home in which the provider's household income is at or below 185% of the federal income eligibility guidelines.

Tier II High site:

A home serving **all meals** to children who meet income eligibility guidelines for free and reduced price meals, thus qualifying for the higher reimbursement rates. Each child in care (except for the provider's own) is eligible for **Tier I** reimbursement.

Tier II Low site:

A home serving **all meals** to children who do not meet income eligibility guidelines for free and reduced price meals, thus qualifying for only the lower reimbursement rates. Each child in care qualifies for **Tier II** reimbursement.

Tier II Mixed site:

A home serving both income eligible and non-income eligible children, thus qualifying for both the higher and lower Tier II reimbursement rates. Income eligibility applications determine which child qualifies at Tier I and which child qualifies at Tier II reimbursement levels.

Average Daily Participation(ADP)

Record of the number of children who consumed at least one meal or supplement each day from the daily attendance counts for **each** tiering site category; total daily attendance counts for the claim month; and divide by the highest number of days food was served.

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Average Daily Participation(ADP) (continued)

Formula for Total ADP (all sites):

Sum of ADP for all sites categories:

=

Tier I + Tier II High + Tier II Low + Tier II Mixed

Program Enrollment

Record of the total number of children **by tiering enrollment** category who consumed at least one meal during the claim month and who have an enrollment or eligibility form on file.

Formula for Total Enrollment (all sites):

Total of Enrollment for all children in certified sites:

=

Tier I Enrollment

+

Tier II High Enrollment

(100% Tier II High eligibility **and** Tier II High eligible from the Tier II Mixed sites(higher reimbursement rate))

+

Tier II Low Enrollment

(100% Tier II(Low) eligibility **and** Tier II Low eligible from the Tier II Mixed sites(lower reimbursement rates))

Reimbursement at Two Rate Levels:

Tier II homes in which Income Eligibility Statements are taken and meals are reimbursed according to the eligibility of the individual child receive two levels of reimbursement for meals served if one or more of the children's households are determined eligible.

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Reimbursement at Two Rate Levels(continued):

Regulations provide three methods for computing reimbursement for these Mixed Tier II homes. These are the traditional *Actual Count* method and two alternative methods - *Claiming Percentage* and *Blended Rate*. The sponsoring organization has the option to choose which of the three methods listed below they will use for all of their day care homes. Each sponsor must use only **one** method for **all of its providers and calculate each home separately**, and may only change the **method annually**. The calculation must be based on either one month's enrollment or participation. Additionally, this data must be recalculated at least every six months.

MEAL COUNTING AND REPORTING METHODS:

A sponsoring agency may choose to record and reimburse provider meals using the traditional *Actual Count* method or one of two new alternative methods - *Claiming Percentages* or *Blended Rate*.

1. Actual Count:

This is the traditional method for reporting the total monthly counts of Sites, Average Daily Participation(ADP), Enrollment and Meals by **Tiering Category** type served each day by child, or "actual counts" for all homes.

Formula for Actual Meal Counts

Number of meals served to children eligible for Tier I by type (breakfast, lunch, supper, or snack)
x
Tier I rate
+
Number of meals served to children eligible Tier II by type (breakfast, lunch, supper, or snack)
x
Tier II rate
=
Reimbursement by meal type

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MEAL COUNTING AND REPORTING METHODS (continued):

2. Claiming Percentages:

There are two methods for calculating the percentages claimed, as follows:

- i). Enrollment
- ii). Participation

When reimbursement is calculated on the basis of claiming percentages, the following formula and step-by-step procedures are used for calculating a claim for reimbursement:

<p style="text-align: center;">Formula for claiming percentages</p> $\begin{array}{c} \text{Number of children eligible for Tier I (or Tier II)} \\ \text{Divided by} \\ \text{Total enrollment} \\ = \\ \text{Claiming percentage for that category} \\ \times \\ \text{Total number of meals by type} \\ \text{(breakfast, lunch, supper, or snack)} \\ \text{served during the month} \\ \times \\ \text{Reimbursement rate} \\ = \\ \text{Reimbursement for Tier I (or Tier II)} \end{array}$

Step 1:

To determine the percentages, divide the number of eligible Tier I Children by the total children enrolled for that home to arrive at a percentage. Do the same for the eligible Tier II Children in that same home.

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MEAL COUNTING AND REPORTING METHODS:

2. Claiming Percentages(continued):

Step 2:

Apply the above claiming percentages to the appropriate meal counts by multiplying the percent factor by the total meal type served and report in the associated tiering box.

Step 3:

Apply these same calculations to all breakfasts, suppers and supplements served in that home. Reimbursement this home using the meal counts and rates associated with the reported calculations.

Step 4:

Proceed to the next home and calculate its percentages and apply to meal counts. Total all meal counts by Tiering category and report in the associated meal boxes on the Claim for Reimbursement.

Enrollment:

Formula for Percentage by Enrollment:

$$\begin{array}{c} \text{Tier II High Percentage} \\ = \\ \text{Number of children eligible for the higher reimbursement rate(Tier I or Tier II High)} \\ \text{Divided by} \\ \text{Total number of children enrolled within home} \\ \text{Tier II Low Percentage} \\ = \\ 1.0000(\text{four decimal places}) \\ \text{minus(-)} \\ \text{Tier II High Percentage} \end{array}$$

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MEAL COUNTING AND REPORTING METHODS:

2. Claiming Percentages(continued):

Enrollment:

Formula for Meals Claimed by Meal Type:

$$\begin{array}{c} = \\ \text{Claiming Percentages (Tier II High, Tier II Low above)} \\ \times \\ \text{Total eligible Breakfasts, Lunches, Suppers and/or Supplements Served} \end{array}$$

Participation:

Formula for Percentage by Participation:

$$\begin{array}{c} \text{Tier I Percentage} \\ = \\ \text{Number of Tier I meals served} \\ \text{Divided by} \\ \text{Number of all meals served by a child's name, income eligibility and meal type} \\ \\ \text{Tier II Percentage} \\ = \\ 1.0000(\text{four decimal places}) \\ \text{minus}(-) \\ \text{Tier I Percentage} \end{array}$$

Formula for Meals Claimed by Meal Type:

$$\begin{array}{c} = \\ \text{Claiming Percentages (Tier II High, Tier II Low above)} \\ \times \\ \text{Total eligible Breakfasts, Lunches, Suppers and/or Supplements Served} \end{array}$$

Use of either percentage claiming methods is based on a **one** month **study** that must be repeated for **each** home at least every **six** months.

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MEAL COUNTING AND REPORTING METHODS:

Blended Rate

The blended per meal rate is a method of calculating an average rate of reimbursement by meal type. This average rate is multiplied by the total number of meals served in that meal type. The following is a formula and step-by-step procedures for calculating a claim for reimbursement using the blended rate method of reimbursement:

Step 1:

Calculate the percentages per home as detailed above in Claiming Percentages Steps 1 and 2 and apply the percentage to the meal rates.

Step 2:

Reimburse this home by applying the associated total meals served multiplied by the blended meal rate.

Step 3:

Apply the same calculations to all breakfasts, suppers and supplements served in that home. Reimburse this home by using it's reported total meal counts by type and multiply by the associated blended rate for that home.

Step 4:

Proceed to the next home and calculate it's Blended rates and apply to the associated meal counts. Total all meal counts by Tiering category and report in the associated Tiering meal boxes on the Claim for Reimbursement.

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MEAL COUNTING AND REPORTING METHODS:

Blended Rate(continued):

Formula for Blended Rate:

Number of children eligible for Tier I		Number of children eligible for Tier II
Divided by		Divided by
Total enrollment		Total enrollment
=		=
Claiming % for Tier I		Claiming % for Tier II
x		x
Current Tier I rate		Current Tier II rate
=		=
Revised Tier I rate	+	Revised Tier II rate
	=	
Blended Rate		
	x	
Total number of meals by type (breakfast, lunch, supper, or snack) served during the month		
	=	
Reimbursement for that meal type		

Formula for Meals Claimed by Meal Type:

=
Blended Rate (above)
x
Total eligible Breakfasts, Lunches, Suppers and/or Supplements Served

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MEALS THAT CANNOT BE CLAIMED

Meals that cannot be Claimed for Reimbursement are:

- Meals served to any child who is not enrolled for care in the home;
- Meals served in excess of the home's licensed or authorized capacity;
- Meal types not approved in the home's agreement with the sponsoring organization;
- Meals served that are in excess of the two meals and a snack (or one meal and two snacks) claimed daily for each enrolled child;
- Meals that do not meet the meal pattern requirements;
- Meals served to the provider's own children unless they have been determined to be income eligible; and
- Meals served to the provider's own children when no other enrolled children are participating.

Disbursement of Meal Reimbursement to Day Care Home:

Sponsors shall disburse all funds received for meal service due to each site within **five working days** of receipt from the NSD.

Program Income:

The following types of funds excluding program reimbursement retained for administrative expenditures, are considered program income and must be used to offset actual allowable administrative expenditures:

1. Income from food sales to adults
2. Other income restricted for use in the program
3. Interest earned on CACFP funds

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SCHEDULES OF REQUIRED REPORTS

Refer to **SECTION 270, Matrix**

Requirements for Meal Schedules:

Meal schedules are **required** in the audit report only under the following conditions:

1. Program-Specific Audit;

2. There are audit findings related to meals;
3. The audit report indicates significant overpayments (in excess of \$100) and/or underpayments of \$1 or more; and
4. NSD administrative review/field audit disclosed program findings, significant over and underpayments.

OTHER REFERENCES:

- *Day Care Home Sponsors Administrative Manual*, prepared by the NSD.
- *Management Improvement Guidance*, FNS, 1998.

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

D. SPONSOR OF DAY CARE HOMES (SDCH)

Administrative Cost Reimbursement Limitations – Day Care Homes:

Sponsors are prohibited from charging the day care homes a fee for its program administrative services. During any fiscal year, administrative costs payments to a sponsor may not exceed the lesser of (1) actual expenditures for the costs of administering the CACFP less income to the program, or (2) the amount of administrative costs approved by the State agency in the sponsor=s budget, or (3)

the sum of the products obtaining by multiplying each month the number of active homes⁴ times the applicable rate. Furthermore, the administrative payments to a sponsor may not exceed thirty percent (30%) of the total amount of administrative payments and food service payments for day care home operations.

Enrollment/Eligibility

SDCH are not required to collect family size and income data on children enrolled in homes under its jurisdiction except in the case of providers' own children. The actual number of meals served by the day care homes shall be reported on the sponsor's Claim For Reimbursement.

Retention of Funds

State Meal Compensation is earned on seventy-five percent (75%) of the total number of breakfast and lunch meals claimed by the sponsor. Sponsors may retain no more than thirty percent (30%) the allowed state meal compensation from the day care homes for allowable administrative expenses.

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

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Administrative Budget

Sponsors are required to submit an annual administrative budget to the NSD for approval. Budget revisions may be submitted at any time during the program year. Beginning with the 1999-2000 program year the provisions for adjusting budget line items are listed below:

Budget line item revisions requiring no prior CACFP approval:

⁴ An approved day care home which served at least one eligible meal during the claim month.

Equipment under \$5,000
Office supplies
Postage
Printing

Staff training
Advertising
Dues, subscriptions, memberships

Budget revisions affecting the following line items require prior CACFP approval:

Administrative labor
Benefits
Equipment over \$5,000
Office space
Utilities and communication
Equipment rental/lease
Vehicle lease

Contract Services
Insurance Premiums
License related expenses
Travel expenses
In-state workshops
Out-of-state workshops
Miscellaneous

Prior to the 1999-2000 program year, sponsors could transfer \$1,000 or 20% of the total budget (whichever is less) from one line item to another line item without CCFP approval except for administrative labor, benefits and out-of-state travel expenses. Any changes to these line items must be approved **in advance** by CACFP.

Disbursement of Reimbursement Payment

SDCH shall disburse all reimbursement payments for food service due to each day care home within five working days of receipt from the state agency.

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Disposition of Undisbursed Reimbursement

A SDCH with undisbursed meal reimbursements, resulting from a home(s) who submits a claim for meals and then relocates, leaving no forwarding address, before the receive their payment shall:

- a) document the three(3) attempts made to contact the day care home provider,
- b) document the number of allowable meals served at each home, and
- c) calculate the amount of reimbursement earned, by month and meal type for each home.

The total amount of undisbursed funds and the number of meals associated with the funds shall be included in the auditor=s report. The sponsor may not utilize these reimbursements as sponsor administrative funds. Such funds must be returned by the sponsor to the state agency. Administrative costs incurred by the sponsor with that particular provider should not be disallowed. The day care home provider should continue to be counted in the total number of homes that the sponsor claims for administrative reimbursement for the month in question.

Additional Funds

Reimbursement received for additional meals identified during an audit shall be disbursed to the applicable home (s) only.

Underpayment Attributed to Computational Errors and/or Rounding Procedures

- a) If the auditor=s report reveal that the sponsor used the incorrect rate to compute its home=s reimbursement, the auditor shall recalculate the reimbursement then if the finding is material (more than \$100.00), the sponsor should be instructed to pay any differences to the affected providers.

If the auditor cannot link the material underpayment or some portion thereof to a particular provider, the sponsor shall pay equal shares of the owed money to all current homes. If a home was affected by the sponsor=s miscalculations, have terminated its agreement with the sponsor and cannot be located, the sponsor shall follow the procedures discussed in the previous paragraph.

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I. CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

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Underpayment Attributed to Computational Errors and/or Rounding Procedures

(continued)

- b) SDCH shall annually reconcile payments actually disbursed to individual providers with funds paid by the State agency. The SDCH must correct any differences caused by rounding by adjusting the year-end checks issued to each provider (or the final check issued, in the case of a terminating provider).

If the sponsor cannot link the difference to a specific provider(s) , the difference should be prorated equally among all current providers. If a home was affected by the sponsor's rounding procedures, have terminated its agreement with the sponsor and cannot be located, the sponsor shall follow the procedures discussed in the previous paragraph.

Program Income

Funds received by the sponsor for use in the food service program, including, but not limited to all monies, other than reimbursement received from the state agency for administrative expenditures; income from any food sales to adults; and other income including cash donations and grants from organizations or individuals, shall be used to offset actual allowable administrative expenditures.

The following types of funds excluding program reimbursement retained for administrative expenditures, are considered program income and must be used to offset actual allowable administrative expenditures:

1. Income from food sales to adults
2. Other income restricted for use in the program
3. Interest earned on CACFP funds

State Meal Reimbursement

Sponsoring organizations of day care homes earn 75% on the total of all eligible breakfasts and lunches served by providers. SDCH may retain no more than 30% of the allowed state meal reimbursement for administrative purposes. This agreed upon amount must be in the sponsor site agreement.

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SCHEDULES OF REQUIRED REPORTS

Refer to **SECTION 270, Matrix**

Requirements for Meal Schedules:

Meal schedules are **required** in the audit report only under the following conditions:

1. Program-Specific Audit;
2. There are audit findings related to meals;

3. The audit report indicates significant overpayments (in excess of \$100) and/or underpayments of \$1 or more; and
4. NSD administrative review/field audit disclosed program findings, significant over and underpayments.

OTHER REFERENCES:

- *Day Care Home Sponsors Administrative Manual*, prepared by the NSD.

E. HOMELESS/EMERGENCY SHELTER - "H" and AT-RISK OUTSIDE- SCHOOL-HOUR SPONSORS - "K"

Claim Preparation

These sponsors have the option of claiming reimbursement for meals served in the CACFP using the Fixed Percentage method or the Actual Count method similar to Center sponsors in I.A, except that **all** meals types are "Free".

SCHEDULES OF REQUIRED REPORTS

Refer to **SECTION 270, Matrix**

Requirements for Meal Schedules:

Meal schedules are **required** in the audit report only under the following conditions:

1. Program-Specific Audit;
2. There are audit findings related to meals;
3. The audit report indicates significant overpayments (in excess of \$100) and/or underpayments of \$1 or more; and
4. NSD administrative review/field audit disclosed program findings, significant over and underpayments.

CACFP REIMBURSEMENT RATES

[illegible]

								.1300	
								45.00(5)	
								40.00(6)	
July 1999	Breakfast	.2100	.7900	1.0900	.1335	.1475	Tier I	Tier II	
to	Lunch-	.1900	1.5800	1.9800			.9200	.3400	
June 2000	Supper	.0500	.2700	.5400			1.5425	78.00(3)	
	Supplement						.5000	.8725	
								59.00(4)	
								.1300	
								46.00(5)	
								41.00(6)	

Footnotes:

- (1) A. Paid for all allowable free and reduced breakfasts and lunches for centers; not applicable to adult day care centers.
B. Paid for 75% of allowed breakfasts and lunches for day care homes.
- (2) Paid for all eligible lunches and suppers served children.
- (3) Initial 50 homes.
- (4) Homes 51 – 200
- (5) Homes 201 – 1000
- (6) Homes 1001 and above.
- * Homeless/Emergency Shelters and At Risk Outside School Hour Centers allowable meals are reimbursed at the free rate.
- ** Food Services Reimbursement. Rates listed above do not include the value of cash-in-lieu of commodities or state meal compensation.

SNP provides sponsors two methods by which to claim SNP meal reimbursement. The two methods available are: the total count - fixed percentage claiming method and the actual count claiming method which are explained below:

1. Total Count - Fixed Percentage Claiming Method

7 CFR Part 245.9 "Special assistance certification and reimbursement alternatives" clarifies the two alternatives claiming methods available within the total count - fixed percentage claiming methods. These methods are commonly referred to as Provision 1 and Provision 2.

a. Provision 1 encompasses the following guidelines:

A School Food Authority (the governing board of a sponsor) having at least 80 percent of its enrolled children determined eligible for free or reduced price meals may, at its option, authorize the sponsor to reduce annual certification and public notification for those children eligible for free meals to once every two consecutive school years. This alternative shall be known as Provision 1 and the following requirements shall apply:

- 1) A School Food Authority of a school operating under Provision 1 requirements shall publicly notify, in accordance with 245.5, parents of enrolled children who are receiving free meals once every two consecutive school years and shall publicly notify, in accordance with 245.5, parents of all other enrolled children on an annual basis.
- 2) The 80 percent enrollment eligibility for this alternative shall be based on the school's March enrollment data of the previous school year, or on other comparable data.
- 3) A School Food Authority of a school operating under Provision 1 shall count the number of free, reduced price and paid meals served to children in that school as the basis for monthly reimbursement claims.

b. Provision 2 encompasses the following guidelines:

A School Food Authority of a school which serves all enrolled children in that school free meals may publicly notify and certify children in accordance with 245.5 for free and reduced price meals for up to three consecutive school years provided that eligibility determinations shall be in accordance with 245.3 during the first school year.

1. Total Count - Fixed Percentage Claiming Method (continued):

3.b. Provision 2 encompasses the following guidelines:

This alternative shall be known as Provision 2 and the following requirements shall apply:

- 1) Except for assistance properly made available under Parts 210, 220, 240, and 250 and by other legislation, a School Food Authority of a school operating under Provision 2 requirements agrees to pay with funds from other than Federal sources for:
 - (a) Meals served to children not eligible, as determined by 245.3, for free or reduced price meals, and
 - (b) The differential between the per meal cost and Federal reimbursement received for each free or reduced price meal, respectively, served to children eligible to receive such meals under applicable program regulations.
- 2) For the purpose of calculating reimbursement claims in the second and third consecutive school years, the monthly meal counts of the actual number of meals served by type - free, reduced price, and paid - shall be converted each month to percentages for each meal type. These percentages shall be derived by dividing the monthly total number of meals served of one meal type (e.g. free meals) by the total number of meals served in the same month for all meal types (free, reduced price, and paid meals). These three percentages calculated at the end of each month of the first school year shall be multiplied by the corresponding monthly meal count total of all meal types served in the second and third consecutive school years in order to calculate reimbursement claims for free, reduced price and paid meals each month.

2. Actual Count Claiming Method

The "Actual Count" claiming method requires the sponsor to accurately report the eligibility categories of enrolled, participating children and the "actual count" of the number of meals served to children at the point of service, in each eligibility category, as a basis for monthly reimbursement claims.

SNP SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND EARNED REIMBURSEMENT

The schedule of reported, adjusted, and allowed meals and earned reimbursement must identify the meal category by month with the following information:

1. The number of base, reduced price, and free meals reported on the Claim for Reimbursement submitted to FASD;
2. The number of base, reduced price, and free meal audit adjustments made to the Claim for Reimbursement submitted to FASD;
3. The number of base, reduced price, and free meals allowed per audit; and

Compute earned reimbursement by multiplying the number of allowed meals (by meal type) per audit by the applicable meal reimbursement rate (See **SECTION 730**) for meal reimbursement rates.

In addition to the above mentioned items, for all day care homes, the number of reported (active) and approved day care home sites on a monthly basis.

See **APPENDIX A2.3** for illustrative format of the schedule of reported, adjusted, and allowed meals, and earned reimbursement.

SNP SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED ENROLLMENT

The schedule of reported, adjusted, and allowed enrollment must identify on a monthly basis enrollment by meal category as follows:

1. The number of base, reduced price, and free enrollees reported on the Claim for Reimbursement submitted to FASD;
2. The number of base, reduced price, and free enrollees audit adjustments made to the Claim for Reimbursement submitted to FASD; and
3. The number of base, reduced price, and free enrollees allowed per audit.

See **APPENDIX A2.3** for illustrative format of the schedule of reported, adjusted, and allowed enrollment.

SCHEDULES OF REQUIRED REPORTS

Refer to **SECTION 270, Matrix**

Requirements for Meal Schedules:

Meal schedules are **required** in the audit report only under the following conditions:

1. Program-Specific Audit;
2. There are audit findings related to meals;
3. The audit report indicates significant overpayments (in excess of \$100) and/or underpayments of \$1 or more; and
4. NSD administrative review/field audit disclosed program findings, significant over and underpayments.

SNP MEAL REIMBURSEMENT RATES**730**

SCHOOL NUTRITION PROGRAMS
REIMBURSEMENT RATES FOR JULY 1, 1999 THROUGH JUNE 30, 2000

FEDERAL PROGRAMS	PAID	REDUCED PRICE	FREE
National School Lunch Agencies that served 60% or more free and/or reduced price lunches during the 1997-98 school year NOTE: The commodity value per lunch is \$0.1475	Sec. 4 - \$0.2100 Sec. 11 - \$0.0000 TOTAL: \$0.2100	Sec. 4 - \$0.2100 Sec. 11 - \$1.3900 TOTAL: \$1.6000	Sec. 4 - \$0.2100 Sec. 11 - \$1.7900 TOTAL: \$2.0000
National School Lunch Agencies that served less than 60% free and/or reduced price lunches during the 1997-98 school year NOTE: The commodity value per lunch is \$0.1475	Sec. 4 - \$0.1900 Sec. 11 - \$0.0000 TOTAL: \$0.1900	Sec. 4 - \$0.1900 Sec. 11 - \$1.3900 TOTAL: \$1.5800	Sec. 4 - \$0.1900 Sec. 11 - \$1.7900 TOTAL: \$1.9800
Meal Supplements Under National School Lunch Agencies that served meal supplements in after school care programs	Reg. - \$0.0500 Suppl. - \$0.0000 TOTAL: \$0.0500	Reg. - \$0.0500 Suppl. - \$0.2200 TOTAL: \$0.2700	Reg. - \$0.0500 Suppl. - \$0.4900 TOTAL: \$0.5400
Basic School Breakfast Sites that served less than 40% free and/or reduced price lunches during the 1997-98 school year	Reg. - \$0.2100 Suppl. - \$0.0000 TOTAL: \$0.2100	Reg. - \$0.2100 Suppl. - \$0.5800 TOTAL: \$0.7900	Reg. - \$0.2100 Suppl. - \$0.8800 TOTAL: \$1.0900
Especially Needy School Breakfast Sites that served 40% or more free and/or reduced price lunches during the 1997-98 school year	Reg. - \$0.2100 Suppl. - \$0.0000 TOTAL: \$0.2100	Reg. - \$0.2100 Suppl. - \$0.7900 TOTAL: \$1.0000	Reg. - \$0.2100 Suppl. - \$1.0900 TOTAL: \$1.3000
Special Milk	\$0.1275 per half pint	Not Applicable	Average cost per half pint
STATE PROGRAMS	PAID	REDUCED PRICE	FREE
State Meal - The State reimbursement will be paid only for meals served to children who are eligible to receive free or reduced price breakfasts and lunches.			
Public Schools and County Superintendent of Schools only	Not Applicable	\$0.1229	\$0.1229
All other agencies	Not Applicable	\$0.1335	\$0.1335
Meal Supplements for Pregnant/ Lactating Students	\$0.6545	\$0.6545	\$0.6545

INTERNET REFERENCES:

- U.S.D.A Webpage: www.usda.gov/, "Agencies, Services and Programs"
- OMB Webpage: www.whitehouse.gov/OMB/
- Nutrition Management Bulletins Webpage:
www.cde.ca.gov/cyfsbranch/cnfddiv/npm/index.htm